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Financial Report
OF
GEO. A. HORMEL & COMPANY
AUSTIN, MINNESOTA
for the
Fiscal Year Ended October 28, 1944

OFFICERS

Geo. A. Hormel	- - - - -	Chairman of the Board
Jay C. Hormel	- - - - -	President
H. H. Corey	- - -	Vice President & General Manager
R. H. Daigneau	- - - - -	Vice President
Park Dougherty	- - - - -	Vice President
R. F. Gray	- - - - -	Vice President
J. L. Olson	- - - - -	Vice President
C. D. Bigelow	- - - - -	Secretary
M. F. Dugan	- - - - -	Treasurer

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DIRECTORS

S. D. Catherwood

H. H. Corey

R. H. Daigneau

Park Dougherty

M. F. Dugan

R. D. Gower

John P. Higgins

T. H. Hocker

Geo. A. Hormel

Jay C. Hormel

O. W. O'Berg

L. E. Wakefield

Austin, Minnesota
November 24, 1944

To the Stockholders of
Geo. A. Hormel & Company

The earnings statement and balance sheet of your company for the year ended October 28, 1944, is enclosed herewith.

Capital stock and surplus amounts to \$13,764,660. The company has no funded debt, and, having no borrowed money nor other indebtedness at the year-end beyond current and customary bills, has net working capital amounting to \$8,102,919.

Net profit amounted to \$1,543,313. This is less than a quarter of a cent for each pound of product sold. The profit is approximately one and one-tenth per cent of the company's sales.

The weight of the product sold was 646,500,609 pounds, which is 13.4% more than last year. The total sales amount was \$138,774,052, which is 5.6% more than last year. These sales are greater, both in pounds and in dollars, than ever before in the history of the company.

The increased volume is due to increased numbers of livestock for slaughter and increased quantities of meat to be processed during the past year, and does not represent an expansion of company facilities nor an extension of the fields in which it normally will operate. Over-all estimates forecast materially reduced numbers of livestock for the coming year.

Because of increased rates of production per person per hour, the increase in volume for this past year has been accomplished with 22 fewer employees than the year before. The average annual income of the employees increased \$387, to an over-all average of \$2686 per person for this year.

During the year, two outstanding additional benefits have been made available to the employees of the company, including those on military leave.

In connection with the regular group insurance which the company has sponsored for a number of years, each contributory member of that group now has hospital insurance available for himself and family.

In addition, an employees' profit sharing trust has been created. The purpose of this trust is to provide an orderly means for making

some money available to employees unable to work by reason of old age or disability. Contributions to the trust will be related to the company's earnings from year to year, whereas, without such a trust the employees' needs become an obligation to be faced in the years in which they arise, without respect to the company's financial condition in that particular year. No contribution to the trust will be required from employees, nor will there be any charge against joint earnings for this purpose. This plan must be approved by the Treasury Department, and must be ratified by the stockholders, before it can be announced to the employees.

The company has undertaken a post-war planning program designed to develop new business and new activities.

Of the 6909 employees who are on the company rolls, 1798 have gone on military leave. Twenty-two have lost their lives in the service of our country. 158 have returned from military service, of whom 116, including some who have been wounded and disabled, have returned to work with us. 1618, including 5 who are reported missing in action and 7 who are prisoners of war, are still in active service.

The purpose of the post-war planning is to provide full-time employment for all of our people, including not only those who are still on military leave, but those additional persons who have come into our employment during the war period.

Each proposal for some post-war activity is recorded as a "project" to be accomplished. The development of each such project is assigned to the individual or group best qualified in that particular field. A project is "pending" when it has been recorded as a possibility but has not yet been assigned for development. A project is "active" when it has been assigned to the proper staff members for development. A project is "completed" when ways and means of accomplishing it have been fully worked out, including complete plans for any building which will be necessary, specifications for any required machinery or equipment, a schedule of the employees necessary for the operation, and working instructions covering the job of each such employee.

It is hoped that conditions and the situation of the company will be such as to permit it to undertake the business risks involved in launching such new and additional activities.

JAY C. HORMEL
President

ACCOUNTANTS' REPORT

To the Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the consolidated balance sheet of Geo. A. Hormel & Company and its subsidiary as of October 28, 1944, and the consolidated statements of profit and loss and surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. It was found impracticable to confirm by direct communication the amounts receivable from United States Government agencies as to which we satisfied ourselves by other procedures.

In our opinion, the accompanying balance sheet and related summaries of profit and loss and surplus present fairly the consolidated position of Geo. A. Hormel & Company and its subsidiary at October 28, 1944, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Minneapolis, Minnesota
November 20, 1944

CONSOLIDATED

Geo. A. Hormel & Company -

October

ASSETS

CURRENT ASSETS \$18,959,259

Cash in banks and on hand	\$ 5,559,598
United States Government Securities—at cost	3,101,146
Trade accounts receivable, less reserve of \$100,000 (including United States Govern- ment accounts of \$1,814,685)	4,090,004

Inventories:

Products, livestock, packages and materials— at the lower of cost or market (cost of pro- ducts is based on market at the date of pro- duction)	6,208,511
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INVESTMENTS AND OTHER ASSETS 612,188

Properties not used in operations, at cost less re- serves for depreciation of \$21,771	\$ 33,446
Sundry securities, notes and accounts less re- serve of \$34,000	73,584
Post-war refund of excess profits taxes	500,244
Accounts and notes receivable from employees....	4,114
Note receivable from officer of subsidiary com- pany	800

PROPERTY, PLANT AND EQUIPMENT 4,783,778

	COST	RESERVES	NET BALANCE
Land	\$ 110,489		\$ 110,489
Buildings	5,283,631	\$1,800,847	3,482,784
Machinery and equipment	3,552,226	2,680,494	871,732
Leasehold improvements	234,165	155,497	78,668
	<u>\$9,180,511</u>	<u>\$4,636,838</u>	<u>\$ 4,543,673</u>
Movable equipment—inventory basis			240,105

DEFERRED CHARGES 365,775

\$24,721,000

BALANCE SHEET

Austin, Minnesota, and Subsidiary

28, 1944

LIABILITIES

CURRENT LIABILITIES . . . \$10,856,340

Accounts payable	\$ 1,037,534
Salaries, wages, and profit sharing payments	3,925,848
Income taxes withheld from employees and payroll taxes	250,502
Accrued taxes and other expenses	314,654
Dividends payable November 15th	255,772
Federal and state taxes on income of the year ended October 28, 1944 and prior years—estimated, Note A	5,072,030

RESERVE—for contingencies . . . 100,000

CAPITAL STOCK AND SURPLUS . . . 13,764,660

Interest of minority stockholders in capital stock and surplus of subsidiary	\$ 17,213
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Preferred stock, cumulative, par value \$100:

Authorized—48,935 shares

Issued—Series A, 6%

(callable at \$105) ----- 14,554 shares \$ 1,455,400

In treasury ----- 100 shares 10,000

Outstanding ----- 14,454 shares \$ 1,445,400

Common stock, no par value:

Authorized - 500,000 shares

Issued ----- 493,944 shares \$ 6,116,586

In treasury ----- 28,944 shares 358,414

Outstanding ----- 465,000 shares \$ 5,758,172

Surplus (consists of earned surplus of predecessor corporation, plus undistributed earned surplus of present corporation since October 29, 1928, date of incorporation under Delaware law) -----

6,543,875

\$24,721,000

See accompanying notes to financial statements.

SUMMARY OF CONSOLIDATED PROFIT AND LOSS STATEMENT

Geo. A. Hormel & Company and Subsidiary

Fiscal Year Ended October 28, 1944

SALES (less returns and allowances) -	\$138,774,052	
Less freight and express -----	3,485,360	
NET SALES -		\$135,288,692
COSTS, EXPENSES AND TAXES -		133,745,379
(Itemized Below)		

MATERIAL COSTS AND EXPENSES - - \$113,906,119

Cost of products sold, selling, administrative and general ex- penses, exclusive of items shown separately -----	\$113,314,225
Provision for depreciation and amortization -----	536,757
Sundry charges less sundry in- come and credits -----	55,137

TOTAL WAGE COSTS - - - 15,948,576

Wages and salaries including joint earnings -----	\$ 14,432,095
Contribution to employees pro- fit sharing trust -----	1,219,871
Unemployment and federal Old Age Benefit contributions ---	296,610

TOTAL TAXES - - - 3,890,684

Taxes:	
Property and miscellaneous taxes -----	\$ 312,037
Federal capital stock taxes ---	109,636
	\$ 421,673

Taxes on income—estimated:

Note A—

Provision for the year:

Federal normal income tax and surtax -----	\$ 825,700
Federal excess profits taxes, less post-war refund of \$280,175 -----	2,521,575
State income tax -----	100,000
Additional provision for prior years -----	21,736
	\$ 3,469,011

NET PROFIT - - \$ 1,543,313

SURPLUS SUMMARY

Geo. A. Hormel & Company and Subsidiary

Fiscal Year Ended October 28, 1944

SURPLUS—October 31, 1943 -----	\$6,017,286
Add net profit for the year -----	<u>1,543,313</u>
	\$7,560,599
Deduct cash dividends:	
On preferred stock—\$6 per share -----	\$ 86,724
On common stock—\$2 per share -----	<u>930,000</u> <u>1,016,724</u>
SURPLUS—OCTOBER 28, 1944	<u><u>\$6,543,875</u></u>

NOTES TO FINANCIAL STATEMENT

NOTE A— The Company, in filing its federal income and excess profits tax returns for the fiscal years 1942 and 1943, has claimed and deducted the benefits of certain relief provisions of the Revenue Act of 1942, and a similar claim is intended to be made for the fiscal year 1944. No decision has been reached by the Bureau of Internal Revenue in respect thereto and, while the Company believes that it is fully entitled to the relief claimed, full provision for taxes on income has been made in the statements without taking into account the anticipated allowance of the claims. The effect of the claims, if allowed in full, will be a substantial reduction in the net tax provisions for the years affected.

NOTE B— Profits of the Company include those from transactions which are subject to the provisions of the renegotiation act providing for the refund of any profits found to be excessive. Transactions for the two preceding years to which the act applied have been reviewed by the appropriate Price Adjustment Board and a net adjustment of \$16,745 has been made for the fiscal year 1943. Proceedings have not been started for the fiscal year 1944 but the Company believes, after consideration of the fact that selling prices to the government are generally on a lower basis than to the general public, that any net adjustment of profits and applicable taxes on income will not materially affect the financial statements for the year and no provision has been made for refunds.

• The Packing Division •

Just as in 1943, great quantities of product are being processed for the Army, Navy and Lend-Lease. Many fine products are still on the discontinued list, to make room for a volume of those products most needed in the war.

The Government buying agencies are asking for a further increased volume of products, but there is still a substantial amount available to our domestic consumers. We continue to take great care to fairly distribute that portion of the supply that is available to the civilian population.

Even though large quantities of meats are set aside for Government agencies, there continues to be a large selection of well known Hormel meats in the markets throughout the country, some of which are listed below:

HORMEL BRANDED LAMB

Hormel's Best (U. S. Choice)	Hormel Merit (U. S. Good)	Hormel Value (U. S. Commercial)
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HORMEL BRANDED BEEF

Hormel's Best (U. S. Choice)	Hormel Merit (U. S. Good)	Hormel Value (U. S. Commercial)	Hormel (U. S. Utility)
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HORMEL PORK PRODUCTS

HAM AND BACON —

Delicut Ham
Dairy Ham
Dairy Boiled Ham
Dairy Roast Ham

Minnesota Slab Bacon
Dairy Sliced Bacon
Minnesota Sliced Bacon

SAUSAGE —

Dairy Braunschweiger
Minnesota Liver Sausage
Minnesota Fresh Country Style Pure Pork Sausage
Minnesota Smoked Country Style Pure Pork Sausage

Dairy Frankfurters
Minnesota Baked Luncheon Loaves

MISCELLANEOUS —

Minnesota Lard

Pickled Pigs Feet in Glass

PORK CUTS —

Full line of all Fresh Pork Cuts

DRY SAUSAGE —

Dairy Salami
National Salami
DiLusso Genoa
Capicola

Dairy Goteborg
Rosa Pepperoni
Cedar Cervelat
Thuringer

• The Flavor-Sealed Division •

CANNED MEATS

Each week of the year, nearly 1,000,000 lbs. of canned meats for our Army and Navy have rolled off the Hormel canning lines. Thirty-two different items are currently canned for Government use. Included are:

4-oz. K-Rations (4 varieties)
29-oz. Pork and Gravy
30-oz. Beef and Gravy
30-oz. Kidney Hash
32-oz. Pork Link Sausage
34-oz. Bulk Pork Sausage
24-oz. Vienna Sausage
24-oz. Sliced Bacon
28-oz. Cvinaya Tushonka

SPAM
6-lb. Luncheon Meat
6-lb. Chopped Ham
6-lb. Pork Tongue
6-lb. Sliced Dried Beef
6-lb. Chili Con Carne
6-lb. Corned Beef Hash
3-lb. Whole Chicken
2-lb. Canned Hams

When the War is Over ---

Production of Hormel's full line of canned meats, plus several new items, will begin quickly when hostilities cease. Under the stress of war necessity, we and other meat canners have developed economies, improved technique, and expanded canning facilities. We are preparing to hold our own in a highly competitive post-war market. Leaders which will play important roles are the world famous Hormel products:

HORMEL HAM
HORMEL CHICKEN
HORMEL ONION SOUP
SPAM

Office of Social Division

Washington, D.C.

The Office of Social Division is a part of the Federal Bureau of Investigation, Department of Justice. It is concerned with the study and collection of data on the social conditions of the United States, and with the dissemination of this information to the public and to the various agencies of the Government.

The Office of Social Division is organized into several divisions, each of which is responsible for a particular phase of the work. These divisions are: the Division of Social Statistics, the Division of Social Research, the Division of Social Education, and the Division of Social Administration. Each of these divisions is headed by a Chief, and each has a number of assistants and clerical staff.

The Office of Social Division is interested in the study of all aspects of the social conditions of the United States, and is particularly concerned with the study of the problems of the poor, the unemployed, and the aged. It is also interested in the study of the social conditions of the various racial and ethnic groups in the United States, and in the study of the social conditions of the various States and Territories.

The Office of Social Division is a part of the Federal Bureau of Investigation, and is therefore subject to the same rules and regulations as the other divisions of the Bureau. It is also subject to the same laws and regulations as the other divisions of the Department of Justice.